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UNCLAS SECTION 01 OF 02 PORT AU PRINCE 001555

SENSITIVE  
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STATE FOR WHA/CAR  
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E.O. 12958: N/A  
TAGS: [EAID](#) [ETRD](#) [ECON](#) [PGOV](#) [PREL](#) [HA](#)  
SUBJECT: HAITIANS DISSATISFIED WITH SLIGHT PRICE DECREASE AT PUMP

REF: A) PORT-AU-PRINCE 936  
B) PORT-AU-PRINCE 874

1.(U) This message is sensitive but unclassified --please protect accordingly.

Summary  
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2.(SBU) Pump prices for fuel were reduced slightly by the GoH effective October 21. Public transport drivers, the Association of Fuel Distributors (ANADIPP) and a number of Senators have called for even lower prices and are dissatisfied by the small adjustment. There was no price decrease on 95-octane gasoline and decreases of 6 \*11 percent on 91-octane gasoline, diesel and kerosene. Many Haitians expected an immediate, significant decrease in pump prices as the world market price for oil decreased by fifty percent. Haiti, however, operates on a 'first in, first out' system. Petroleum company representatives anticipate a larger decrease in pump prices in early November as companies will operate from a cheaper supply. However, an eventual fifty percent decrease is unlikely as the GoH attempts to recover from its USD 45 million of foregone revenue resulting from the April-July petrol subsidy program. The high cost of fuel has dramatically increased the cost of transport and contributed to higher domestic food prices, thereby further weakening the purchasing power for a majority of Haitians. End Summary.

Dissatisfaction with Pump Price Decrease  
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13. (U) The GoH announced a pump price decrease October 21 of 11 percent on 91-octane gasoline, from 235 HTG (USD 5.82) to 209 HTG (USD 5.20); a six percent decrease on diesel from 171 HTG (USD 4.28) to 160 HTG (USD 3.96 ); and a 10 percent decrease on kerosene from 168 HTG (USD 4.20 ) to 150 HTG (USD 3.73 ). There was no price decrease on 95-octane gasoline at 247 HTG (USD 6.18) attributed to overstock from former shipments. Many Haitians expected a considerable price reduction for fuels on the local market as world oil prices decrease to below USD 70 per barrel. A Haitian Public Transport Drivers Association (APCH) representative told the media on October 22 that gasoline 91 should have been reduced to 125 HTG (USD 3.13). Public transport drivers, the Association of Fuel Distributors (ANADIPP) and Senators Michel Clerie, Yvon Buiseith, and Andries Riche have called for even lower prices and are dissatisfied by the small adjustment. Petroleum product prices are regulated by the Ministry of Finance and Economy. Customs duties, verification fees, finance fees and transport costs are added to the Cost, Insurance and Freight (CIF) price to determine the pump price.

Additional Decreases on the Horizon  
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4.(SBU) The Chevron/Haiti Finance Manager, Karlyle Raphael, told Econoff October 22 that he expects the GoH to reduce prices again at the pump by one-third during the first week of November. National (Dynasa/Haitian petroleum company) Financial Controller Michel Guerrier told Econoff October 29 he expects an estimated 70 HTG (USD 1.75) per gallon decrease on gasoline 91 and diesel the first week of November. He noted that this reduction should occur if the government follows the trend of the first in, first out system operating from petrol products purchased at a cheaper price.  
Fuel Taxes Explained  
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5.(U) The GoH collects approximately USD 62.7 million annually from tariffs and taxes on fuel imports (Note: Petroleum products account for 20 percent of Haiti's imports. End note.) Tariffs on fuel imports represented approximately 25 percent of the GoH's total customs revenue for fiscal year 2008, amounting to USD 48.4 million. Under a 1949 Haitian law, the GoH imposes a 57.8 percent tariff, a four percent of product value tax for 'verification fees,' and both fixed and variable excise taxes to the CIF price of gasoline. Diesel and kerosene are exempt from the tariff. (Note: Approximately 25 percent of vehicles and 90 percent of generators function on diesel. End note.) A 1995 amendment to fuel tax levels dictates fixed excise taxes per gallon for gasoline, diesel and kerosene at 6.8 HTG (17 cents), 4 HTG (10 cents) and 0.44 HTG (1 cent), respectively. The GoH reduced tariff, verification fees and excise taxes during the April-July petrol subsidy program intended to ease economic pressure on the population. Chevron's Raphael told Econoff October 27 the GoH would not allow pump prices to decrease at the same rate as world oil prices, since it intends to recover from its 1.8 billion HTG (USD 45 million) of foregone revenue attributed to the earlier fuel subsidy program.

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#### Local Transport Prices Continue to Rise -----

6.(U) APCH and other critics expect that the pump price 'relief' will not reduce already-existing tension between mini-bus ('Tap-tap') drivers and passengers. Tap-tap drivers have increased fares and sub-divided routes into shorter segments in an effort to cope with the high price of fuel. Many Haitians spend over 30 percent of their income on transportation. Higher fares and transportation costs disproportionately affect poor Haitians, most of whom earn less than USD 2 per day, and for whom Tap-taps are the only affordable form of transport available. High fuel and transportation costs, along with poor roads made worse by the four consecutive hurricanes of August-September, have contributed to dramatically increased food prices. Domestic food costs, according to the Haitian Institute of Statistics, are up 20 percent for the last 12 months, while the cost of imported food, which makes up more than half of total consumption, is up 37 percent. For the quarter ending October 1, a six-pound bag of imported rice went from 19 HTG (USD 0.48 cents) to 35 HTG (USD 0.88 cents), an 84 percent increase, and the cost of a six-pound bag of local black beans increased by 62 percent.

Comment  
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17. (SBU) Haiti has been particularly hard-hit by high oil prices over the past year. Despite dramatic drops in the price of oil in recent weeks, price relief at the pumps will take some time as Haiti operates on a first in, first out shipment system, and the GoH goes back to the practice of deriving badly-needed revenue from fuel imports. The GoH seems determined now to set pump prices based upon the cost of the current supply. Meanwhile, Tap-tap drivers are threatening to strike and social unrest due to the continuing high cost of fuel and public transport could grow. A public awareness campaign on the fuel price structure could be one way for the GoH to respond to discontent and forestall unrest.

SANDERSON